The CHAIRMAN. Without objection, it will be included in the record.

(The memorandum appears as Exhibit 1 at the end of Mr. Barnard's prepared statement.)

Mr. BARNARD. In the course of the testimony of the Government's witness there were criticisms concerning the administration of the American selling price system. We think these are particularly inappropriate. We have yet to be shown concrete examples of these criticisms, but beginning as early as 1963, this industry met with the Government and suggested changes in the law which would be designed to deal with these criticisms.

However, the Government refused to go along with our efforts to try to change these administrative objections to the American selling price system. For the record I would like to submit our correspondence pointing out our willingness to support amendments to correct these so-called administrative defects and I ask that it be printed also.

The CHAIRMAN. Without objection, that will be included.

(The correspondence appears as Exhibit 2 at the end of Mr. Barnard's prepared statement.)

Mr. BARNARD. There is one criticism that was made by the Special Representative for which we have no answer except to say that it is invalid. It is reported that ASP is sinister and enables the American manufacturer to increase his price thereby increasing the duty and thereby gaining a competitive advantage over imports.

I would like to illustrate to you why this is not true. If you wish to take a pencil and even write this down, if you assume that there is a product with an American selling price of $1, and let us even assume that we are going to have an ASP duty of 40 percent, which is the highest duty that was on dyes prior to the Kennedy round.

I am assuming a case with an American product sold for a dollar American selling price and the duty was 40 percent. I am assuming that the import is sold in the United States at 99 cents—40 cents of that would be duty, and the import would have a 1-cent competitive advantage.

Now, if the American manufacturer believes these stories, that, if he raises his prices, he gets a competitive advantage, so that he raises his price from $1 to $1.10. This increases the duty by 4 cents but, instead of increasing his competitive advantage, that decreases it significantly, for in the beginning the competitive advantage was 1 cent, 99 cents compared to $1. After he has raised his price, the competitive advantage is 7 cents, $1.03 to $1.10.

The reason is obvious. The tariff only takes up a part of the price increase. The rest is the advantage to the import.

We also listened to the statements that the ASP was originally adopted for infant industry and has outgrown its purpose. We went back to the legislative history of the statute to see why the Congress did adopt ASP and found that there were two reasons.

We have set forth extracts from the committee reports and debates in our statement.

There were two principal reasons for the adoption of ASP valuation. These two reasons are reasons that are valid today: First, the uncertainty of foreign prices particularly in this area; and, secondly, the fact that these products were subject to price manipulation and